

KALYAN JEWELLERS W.L.L.
DOHA – QATAR

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED MARCH 31, 2018

KALYAN JEWELLERS W.L.L.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended March 31, 2018

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QR. 99-8

RN: 0013/MR/FY2019

INDEPENDENT AUDITOR'S REPORT

To The Shareholders
Kalyan Jewellers W.L.L.
Doha-Qatar

Opinion

We have audited the non-statutory financial statements of Kalyan Jewellers W.L.L. ("the Company"), which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

- (i) We draw attention to Note 1.1 in the financial statements, which indicates that the Company incurred a net loss of QR. 3,273,029 during the year ended March 31, 2018. As stated in Note 1.1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis which is dependent on the partner's continuing financial support for the Company to meet its financial obligations as and when they fall due.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Emphasis of Matter (continued)

- (ii) During the year, the Company has recognized a receivable of QR 8.42 million from a third party for sale of the intangible asset as detailed in Note 6. This amount is due for receipt in September 2018 as per the credit term agreed on the sale of intangible asset and, based on the group level transactions entered with third party, the management is confident of recovery of debts on timely basis.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies' Law, we report the following:

- We are also in the opinion that the Company maintained proper books of account and the physical inventory verification has been duly carried out.
- We obtained all the information and explanations, which we considered necessary for our audit.
- To the best of our knowledge and belief and according to the information given to us, except as mentioned below, no contraventions of the applicable provisions of Qatar Commercial Companies' Law and the Company's Articles of Associations were committed during the year, which would materially affect the Company's activities or its financial position.

The accumulated losses of the Company as of March 31, 2018 amounted to QR. 26,869,945 contravening the Qatar Commercial Companies Law. The Law states that should the Company's losses exceed 50% of the capital of the Company, the partners should either dissolve the Company or increase its capital

**Doha – Qatar
June 26, 2018**

**For Deloitte & Touche
Qatar Branch**



**Walid Slim
Partner
License No. 319**

KALYAN JEWELLERS W.L.L.**STATEMENT OF FINANCIAL POSITION**

As at March 31, 2018

	Notes	March 31, 2018 QR.	March 31, 2017 QR.
ASSETS			
Non-current assets			
Furniture, fixtures and equipment	5	7,207,250	10,202,966
Intangible assets	6	17,216,379	20,344,317
Total non-current assets		24,423,629	30,547,283
Current assets			
Inventories	7	108,086,557	103,902,770
Due from related parties	8(a)	3,911,928	9,471,417
Trade receivables		2,063,024	755,554
Advances, prepayments and other receivables	9	25,145,163	4,964,611
Cash and bank balances	10	81,478,969	54,765,985
Total current assets		220,685,641	173,860,337
TOTAL ASSETS		245,109,270	204,407,620
EQUITY AND LIABILITIES			
Equity			
Share capital		200,000	200,000
Partner's current account		203,998,101	203,998,101
Accumulated losses		(26,869,945)	(23,596,916)
Net equity		177,328,156	180,601,185
Non-current liabilities			
Employees' end of service benefits		180,884	117,690
Bank borrowings	11	3,596,772	5,523,483
Total non-current liabilities		3,777,656	5,641,173
Current liabilities			
Trade payables		23,310,528	1,601,779
Due to related parties	8(b)	27,691,566	--
Bank borrowings	11	2,340,000	2,340,000
Accrued expenses and other liabilities	12	10,661,364	14,223,483
Total current liabilities		64,003,458	18,165,262
Total liabilities		67,781,114	23,806,435
TOTAL EQUITY AND LIABILITIES		245,109,270	204,407,620

These financial statements were approved and authorized by the partners for issue on June 26 2018:



Nasser Darwish A Mashhadi



Kalyan Jewellers L.L.C.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



KALYAN JEWELLERS W.L.L.**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended March 31, 2018

	Notes	March 31, 2018 QR.	March 31, 2017 QR.
Revenue		198,270,222	237,408,592
Cost of sales	13	(168,405,737)	(206,805,937)
		29,864,485	30,602,655
Other income	6	8,835,581	519,358
Depreciation	5	(2,735,900)	(2,337,035)
Amortization	6	(1,152,668)	(1,018,358)
General and administrative expenses	14	(35,883,450)	(35,882,014)
Finance cost		(2,201,077)	(448,483)
Loss for the year		(3,273,029)	(8,563,877)
Other comprehensive income		--	--
Total comprehensive loss for the year		(3,273,029)	(8,563,877)

KALYAN JEWELLERS W.L.L.**STATEMENT OF CHANGES IN EQUITY**

For the year ended March 31, 2018

	Share capital	Partner's current account	Accumulated losses	Total
	QR.	QR.	QR.	QR.
Balance at April 1, 2016	200,000	203,998,101	(15,033,039)	189,165,062
Total comprehensive loss for the year	--	--	(8,563,877)	(8,563,877)
Balance at March 31, 2017	200,000	203,998,101	(23,596,916)	180,601,185
Total comprehensive loss for the year	--	--	(3,273,029)	(3,273,029)
Balance at March 31, 2018	200,000	203,998,101	(26,869,945)	177,328,156

KALYAN JEWELLERS W.L.L.**STATEMENT OF CASH FLOWS**

For the year ended March 31, 2018

	Notes	March 31, 2018 QR.	March 31, 2017 QR.
OPERATING ACTIVITIES			
Loss for the year		(3,273,029)	(8,563,877)
Adjustment for:			
Depreciation of furniture, fixtures and equipment	5	2,735,899	2,337,035
Amortization of intangible assets	6	1,152,668	1,018,358
Provision for employees' end of service benefits		63,194	117,690
Gain on disposal		(7,473,955)	--
Finance cost		2,201,077	448,483
		(4,594,146)	(4,642,311)
<i>Changes in working capital:</i>			
Inventories		(4,183,787)	28,177,106
Due from related parties		5,559,489	(9,471,417)
Trade receivable		(1,307,470)	(293,575)
Advances, prepayments and other receivables		(20,180,552)	(1,532,360)
Trade payables		21,708,749	(6,132,214)
Due to related parties		27,691,567	--
Accrued expenses		(3,562,119)	13,834,448
Net cash generated from operating activities		21,131,731	19,939,677
INVESTING ACTIVITIES			
Purchase of furniture, fixtures and equipment	5	(199,358)	(1,978,229)
Proceeds from disposal		9,908,400	--
Purchase of intangible assets	6	--	(1,000,000)
Fixed deposits		(34,982,338)	(35,489,271)
Net cash used in investing activities		(25,273,296)	(38,467,500)
FINANCING ACTIVITIES			
Bank borrowings		(1,926,711)	7,863,483
Finance cost paid		(2,201,077)	(448,483)
Net cash (used in) / generated from financing activities		(4,127,788)	7,415,000
Net decrease in cash and cash equivalents		(8,269,353)	(11,112,823)
Cash and bank balances at beginning of the year	10	19,276,714	30,389,537
Cash and bank balances at end of the year	10	11,007,361	19,276,714

KALYAN JEWELLERS W.L.L.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2018

1. GENERAL INFORMATION

Kalyan Jewellers W.L.L. (the "Company") is a limited liability Company registered in the State of Qatar under Commercial Registration No. 67939. The Registered Office of the Company is situated in Abdul Jaleel Center, 3rd Floor, Unit No-303, Najma Airport road, Doha-Qatar.

The Company is a retailer in jewellery and ornament. The Company's ownership details are as follows:

<u>Name</u>	<u>Nationality</u>	<u>Amount</u> <u>QR.</u>	<u>%</u>
Nasser Darwish A Mashhadi	Qatari	102,000	51
Kalyan Jewellers L.L.C	Emirati	98,000	49
		<u>200,000</u>	<u>100</u>

The Company is a Subsidiary of Kalyan Jewellers LLC (Intermediate Holding Company) and ultimate controlling party in Kalyan Jewellers India (P) Ltd (the "Ultimate Parent Company").

1.1 Going Concern

Although the Company has incurred losses of QR. 3,273,029 for the year ended March 31, 2018, the financial statements have been prepared on a going concern basis as the Kalyan Jewellers LLC have committed to provide continuing financial support to the Company to meet its financial obligations as and when they fall due.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs that are mandatorily effective

The following new and revised IFRSs, which became effective for annual periods beginning on or after April 1, 2018, have been adopted in these financial statements.

- Amendments to IAS 12 *Income Taxes* Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**2.2 New and revised IFRSs in issue but not yet effective**

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.	January 1, 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	January 1, 2019
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	January 1, 2018
The interpretation addresses foreign currency transactions or parts of transactions where:	
• there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	January 1, 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	
• Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	January 1, 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	January 1, 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) (a)

January 1, 2018

IFRS 9 issue

d in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive

January 1, 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

IFRS 15 Revenue from Contracts with Customers

January 1, 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

January 1, 2018

IFRS 16 Leases

January 1, 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16 Leases	January 1, 2019
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	
Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 17 Insurance Contracts	January 1, 2021
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of January 1, 2021.	
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, as may have no material impact on the financial statements of the Company in the period of initial application.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning January 1, 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its leases.

However, management have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and applicable provisions of Qatar Commercial Company Law.

Basis of preparation

The financial statements have been prepared under the historical cost convention. The principal accounting policies are set out below. These financial statements are presented in Qatari Riyal (QR), which is the Company's functional and reporting currency.

Furniture, fixtures and equipment

Furniture, fixtures and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is charged to statement of profit or loss on a straight-line method basis over the estimated useful lives of the assets.

The estimated useful lives, residual values and depreciation methods are reviewed at each statement of financial position date, with the effect of any changes in estimate accounted for on a prospective basis. The carrying values of furniture, fixtures and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of the fair value less costs to sell and their value in use.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets representing key money paid to acquire Right to use the prime commercial spaces in commercial shopping complexes with finite useful lives that are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the statement of profit or loss on a straight-line method over their estimated useful lives estimated by the management. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured.

Impairment of tangible and intangible assets

At each statement of financial position date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Foreign currencies

Transactions in foreign currencies are initially recorded at the approximate functional currency rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2018

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the approximate exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Employees' end of service benefits

A provision is made for employees end of service benefits which is payable on completion of employment. The provision is calculated in accordance with Qatari Labour Law based on employees' salary and accumulated period of service as at the reporting date.

Financial assets

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, net of bank overdrafts, if any.

Trade and other receivables

Trade receivables are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off and changes in the carrying amount of the allowance account are recognised in the statement of profit or loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of profit or loss.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Included in this account are advances made to metal smiths, which are advances goods forwarded to vendors to make refurbishing or transforming materials to saleable goods.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost method for gold and gold ornaments measured in weight and specific costing method for diamonds. Cost includes expenditure incurred in acquiring the inventories, cost of production or conversion and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provision is made for obsolete and slow-moving items based on management's judgment.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Customer loyalty programmes

The Company accounts for award credits as separately identifiable component of the sales transactions in which they are granted (the "initial sale"). The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The consideration allocated to the award credits is measured by reference to their fair value.

The Company supplies the awards itself and recognizes the consideration allocated to award credits as revenue, when award credits are redeemed and it fulfills its obligations to supply the awards. The amount of revenue recognized shall be based on the number of the award credits that have been redeemed in exchange for awards, relative to the total number expected to be redeemed.

Contingent liabilities

Contingent liabilities are not recognised/recorded in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

4. CRITICAL JUDGMENTS IN APPLYING THE ACCOUNTING POLICIES

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of tangible and intangible assets and useful lives

The Company's management assess whether there are indicators to suspect that tangible and intangible assets have suffered impairment in accordance with accounting policies stated in Note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Company's management determines as well the useful lives and related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Management assessed that there are no indicators of impairment affecting the Company's tangible and intangible assets, and that the useful lives are reasonable.

Impairment of financial assets

The Company's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in the statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty. Management is of the opinion that since all receivables at the reporting date are collectible, no allowance for doubtful debts is required.

4. CRITICAL JUDGMENTS IN APPLYING THE ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Adjustments to reduce the cost of inventories to their realisable value are made at product group level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues. Based on the above factors, the Company has arrived at certain percentages for allowance for slow moving and obsolete inventories. Revisions to these adjustments would be required if these factors differ from the estimates.

Shareholder Account

Management has considered the detailed criteria for the recognition of equity instrument in IAS 32: Financial Instruments: Presentation, and in particular whether the equity instrument i.e. shareholder account represents a residual interest in the assets of an entity after deducting all of its liabilities. Based on their assessment, management is satisfied that the recognition of the shareholder's account as an equity instrument is appropriate and is in the nature of equity

KALYAN JEWELLERS W.L.L.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2018

5. FURNITURE, FIXTURES AND EQUIPMENT

	Electrical equipment QR.	Computer equipment QR.	Furniture and fixtures QR.	Motor vehicle QR.	Total QR.
Cost:					
At March 31, 2016	1,808,371	220,692	8,758,227	244,370	11,031,660
Additions during the year	785,132	243,072	950,025	--	1,978,229
At March 31, 2017	2,593,503	463,764	9,708,252	244,370	13,009,889
Additions during the year	11,911	120,350	67,097	--	199,358
Disposals during the year	--	--	(808,095)	--	(808,095)
At March 31, 2018	2,605,414	584,114	8,967,254	244,370	12,401,152
Accumulated depreciation:					
At March 31, 2016	142,970	17,315	296,919	12,684	469,888
Charge for the year	363,976	86,923	1,839,926	46,210	2,337,035
At March 31, 2017	506,946	104,238	2,136,845	58,894	2,806,923
Charge for the year	553,692	112,066	2,018,451	51,690	2,735,899
Disposals during the year	--	--	(348,920)	--	(348,920)
At March 31, 2018	1,060,638	216,304	3,806,376	110,584	5,193,902
Carrying amount:					
At March 31, 2018	1,544,776	367,810	5,160,878	133,786	7,207,250
At March 31, 2017	2,086,557	359,526	7,571,407	185,476	10,202,966
Depreciation rates	20%	20%	20%	20%	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2018

6. INTANGIBLE ASSETS

	March 31, 2018 QR.	March 31, 2017 QR.
Cost:		
At April 1,	22,138,820	21,138,820
Additions	--	1,000,000
Disposals	(2,194,410)	--
At March 31,	19,944,410	22,138,820
Accumulated amortization:		
At April 1,	1,794,503	776,145
Charge for the year	1,152,668	1,018,358
Disposals	(219,140)	--
At March 31,	2,728,031	1,794,503
Carrying amount	17,216,379	20,344,317
Amortization rate	5%	5%

During the year, on March 2018, the Company, by way of executed Sale and Purchase agreement, waived its right in a showroom leased at Plaza Mall in favour of M/S Morning Rise General trading LLC (the "Buyer") Dubai, UAE for a sale consideration of AED 10.00 million. The Company has received initial down payment of AED 1.50 million and notified the landlord about the potential termination of the lease agreement and lease to 3rd party identified by the Buyer. The Buyer has agreed to take custody of leased property by September 2018 and already signed the Sale and Purchase agreement with the Company. The Company recognized a gain amounting to QR 7.43 which is included in the "Other Income" account in the profit or loss during the year and other receivables of QR 8.42 million is included in Note 9.

7. INVENTORIES

	March 31, 2018 QR.	March 31, 2017 QR.
Gold jewellery	72,831,065	81,553,746
Diamond jewellery	35,255,492	22,349,024
	108,086,557	103,902,770

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2018

8. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties, as defined in International Accounting Standard 24: *Related Party Disclosures*, include associate companies, major shareholders, directors and other key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

(a) Due from related parties

	March 31, 2018 QR.	March 31, 2017 QR.
Kalyan Jewellers L.L.C	3,911,928	6,002,017
Kalyan Jewellers FZE	--	3,469,400
	<u>3,911,928</u>	<u>9,471,417</u>

(b) Due from related parties

	March 31, 2018 QR.	March 31, 2017 QR.
Kalyan Jewellers Kuwait	22,161,036	--
Kalyan Jewellers FZE	5,530,530	--
	<u>27,691,566</u>	<u>--</u>

(c) Transactions with related parties

During the year, the Company entered into the following transactions with related parties:

	March 31, 2018 QR.	March 31, 2017 QR.
Sales	--	5,085,103
Purchases	34,875,814	114,850,346
Brand sharing charges	3,449,730	3,473,580
Management fee	2,464,090	--

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2018

9. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	March 31, 2018 QR.	March 31, 2017 QR.
Advance to suppliers	15,194,869	1,660,180
Prepaid expenses	1,100,552	3,019,011
Deposits	427,602	285,420
Other receivables (Note 6)	8,422,140	--
	<u>25,145,163</u>	<u>4,964,611</u>

10. CASH AND BANK BALANCES

	March 31, 2018 QR.	March 31, 2017 QR.
Cash in hand	498,426	730,408
Bank balances	10,508,935	17,046,306
Fixed deposits*	70,471,608	36,989,271
Cash and bank balances	81,478,969	54,765,985
Less: Fixed deposits with original maturity of more than three months**	(70,471,608)	(35,489,271)
Cash and cash equivalents	<u>11,007,361</u>	<u>19,276,714</u>

* Fixed deposits are placed with a local commercial bank and earns interest at the rate of 2.5%-3.0% per annum.

** These deposits are used as collateral for bank facilities obtained by the Company during year.

11. BANK BORROWINGS

	March 31, 2018 QR.	March 31, 2017 QR.
Term loan	5,936,772	7,863,483
Less: Current portion	(2,340,000)	(2,340,000)
Non-current portion	<u>3,596,772</u>	<u>5,523,483</u>

This represents term loan obtained from a local commercial bank to finance the setting up of new store outlets and is repayable in 16 equal quarterly installments. The term loan bears interest at the rate of 7.25% per annum. The loan is secured by personal guarantees of partners and corporate guarantees of Kalyan Jewellers India Limited.

KALYAN JEWELLERS W.L.L.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2018

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	March 31, 2018 QR.	March 31, 2017 QR.
Advance from customers	10,183,178	13,658,284
Accrued expenses	478,186	565,199
	<u>10,661,364</u>	<u>14,223,483</u>

13. COST OF SALES

	March 31, 2018 QR.	March 31, 2017 QR.
Opening inventory balance	103,902,770	132,079,876
Purchases during the year	160,457,171	170,615,380
Other direct expenses	12,132,353	8,013,451
Goods available for sale	276,492,294	310,708,707
Ending inventory balance (Note 7)	<u>(108,086,557)</u>	<u>(103,902,770)</u>
Cost of goods sold	<u>168,405,737</u>	<u>206,805,937</u>

14. GENERAL AND ADMINISTRATIVE EXPENSES

	March 31, 2018 QR.	March 31, 2017 QR.
Advertising and promotion	10,870,081	10,382,436
Rent	6,213,199	6,884,055
Salaries	6,089,047	6,296,189
Brand sharing charges	3,449,730	3,473,580
Management fee	2,464,090	--
Bank charges and commission	542,001	2,849,687
Security	166,040	1,354,651
Travelling	730,579	702,295
Recruitment expenses	572,961	701,999
Communication and utilities	604,129	631,874
Administrative support fee	312,000	312,000
Office supplies	267,826	306,128
Professional fees	200,074	221,933
Staff refreshment	186,018	200,592
Repairs and maintenance	205,736	165,533
Printing, postage and courier	88,890	165,210
Insurance	166,104	32,098
Inauguration expenses	--	53,800
Other expenses	<u>2,754,945</u>	<u>1,147,954</u>
	<u>35,883,450</u>	<u>35,882,014</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2018

15. COMMITMENTS UNDER OPERATING LEASES

The Company has entered into non-cancellable lease agreements for the lease of its show rooms. The rental costs in respect of these properties are accounted for as operating leases.

The future lease commitments in respect of the above lease agreement are as follows:

	March 31, 2018 QR.	March 31, 2017 QR.
Not later than 1 year	5,268,242	3,296,572
Later than 1 year and not longer than 5 years	5,380,084	5,564,388
More than 5 years	--	562,500
	<u>10,648,326</u>	<u>9,423,460</u>

16. CONTINGENT LIABILITIES

	March 31, 2018 QR.	March 31, 2017 QR.
Letter of credits	<u>106,480,000</u>	<u>66,480,000</u>

17. FINANCIAL INSTRUMENTS

Financial instruments represent any contractual agreement that creates a financial asset, financial liability or an equity instrument. Financial assets comprise cash and bank balances, due from related parties and trade receivables. Financial liabilities comprise trade payables and bank borrowings.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value of financial instruments is not materially different from their carrying values.

18. FINANCIAL RISK MANAGEMENT

The activities of the Company expose it to routine financial risks, including the effects of defaults by customers, movement in interest rates and liquidity. The Company's management seeks to minimize potential adverse effects on the financial performance of the Company by taking appropriate steps to address specific risk management areas, such as credit risk, interest rate risk, foreign currency and liquidity risk management.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and by entering cash sales transactions, substantially. The Company's exposure of its counterparties is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management.

Interest rate risk

Interest rate risk is the risk of changes in market interest rates affecting the overall return of the Company. The Company is exposed to interest rate risk as they have exposure in fixed deposit and loans.

Interest rate sensitivity analysis

For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At March 31, 2018, the impact of changing the interest rates on borrowings by 50 basis point higher/lower with all other variables held constant on the profit for the year would have been QR. 222,629 (2017: QR. 393,174) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign currency risk

The Company undertakes certain transactions denominated in a foreign currency. Hence, exposure to exchange rate fluctuations arises. Exchange rate exposure is managed within approved policy parameters. Management is of the opinion that Company's exposure to foreign currency risk is minimal since majority of the transactions are denominated in Qatari Riyal.

Liquidity risk

Liquidity risk represents the risk that the Company will not be able to settle its financial obligations due to cash and liquidity problems. Liquidity risk arises from the inability to collect payments from customers as and when they become due. The financial statements are prepared going concern basis which is dependent upon the continuous financial support by the Emirati partner to meet financial obligations of the Company when they fall due.

Maturity profiles

The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company with agreed repayment periods. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2018

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Maturity profiles (continued)

March 31, 2018

	Up to a year QR.	1-5 years QR.	Over 5 years QR.	Total QR.
<i>Non – derivative financial assets</i>				
Amount due from related party	3,911,928	--	--	3,911,928
Trade receivables	2,063,024	--	--	2,063,024
Advances, prepayments and other receivables	25,145,163	--	--	25,145,163
Cash and bank balances	81,478,969	--	--	81,478,969
	<u>112,559,084</u>	<u>--</u>	<u>--</u>	<u>112,559,084</u>
	Up to a year QR.	1-5 years QR.	Over 5 years QR.	Total QR.
<i>Non – derivative financial liabilities</i>				
Bank borrowings	2,340,000	3,596,772	--	5,936,772
Trade payable	23,310,528	--	--	23,310,528
Due to related parties	27,691,566	--	--	27,691,566
Accrued expenses and other liabilities	10,661,364	--	--	10,661,364
	<u>64,003,458</u>	<u>3,596,772</u>	<u>--</u>	<u>67,600,230</u>

March 31, 2017

	Up to a year QR.	1-5 years QR.	Over 5 years QR.	Total QR.
<i>Non – derivative financial assets</i>				
Amount due from related party	9,471,417	--	--	9,471,417
Trade receivables	755,554	--	--	755,554
Advances, prepayments and other receivables	4,964,611	--	--	4,964,611
Cash and bank balances	54,765,985	--	--	54,765,985
	<u>69,957,567</u>	<u>--</u>	<u>--</u>	<u>69,957,567</u>

For the year ended March 31, 2018

17. FINANCIAL RISK MANAGEMENT (CONTINUED)**Liquidity risk (continued)*****Maturity profiles (continued)*****March 31, 2017 (continued)**

	Up to a year	1-5 years	Over 5 years	Total
	QR.	QR.	QR.	QR.
<i>Non – derivative financial liabilities</i>				
Bank borrowings	2,340,000	5,523,483	--	7,863,483
Trade payable	1,601,779	--	--	1,601,779
Due to related parties	--	--	--	--
Accrued expenses and other liabilities	14,223,483	--	--	14,223,483
	<u>18,165,262</u>	<u>5,523,483</u>	<u>--</u>	<u>23,688,745</u>

19. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the partners. One of the partners has committed to provide all financial support to the Company as and when obligations become due.

The capital structure of the Company consists of net debt and equity of the Company, comprising share capital, partner's current account net of accumulated loss.

20. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized by the partners for issue on June 26, 2018.